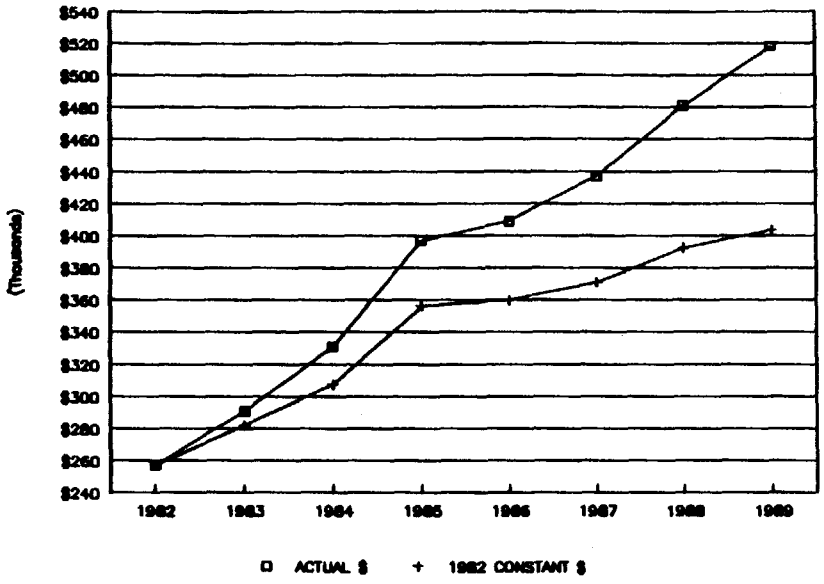
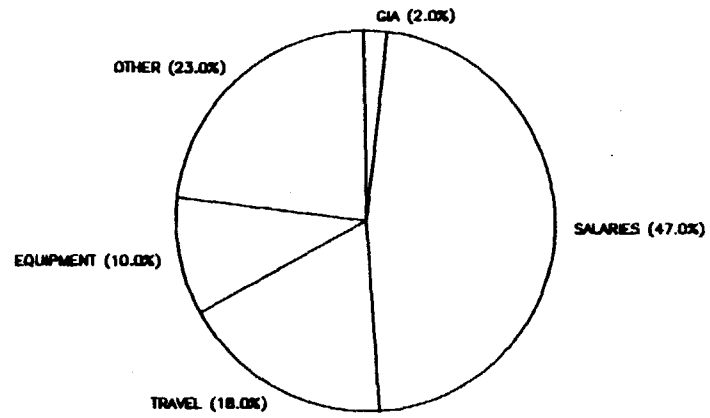
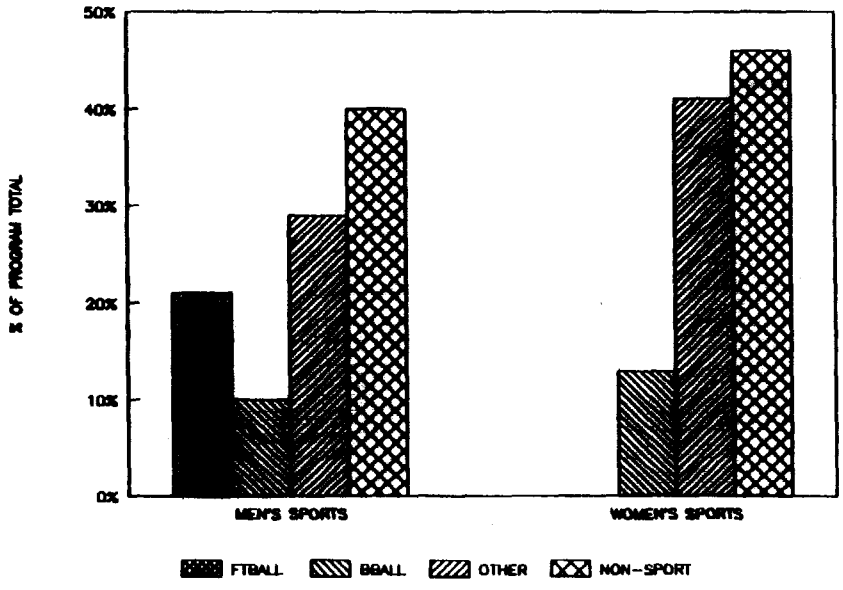
AVERAGE TOTAL EXPENSES – DIV. III-FB
ACTUAL AND 1982 CONSTANT DOLLARS



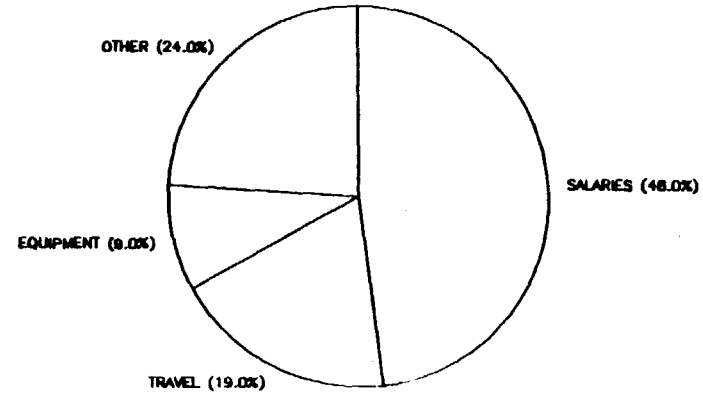
EXPENSES OF MEN'S ATHLETICS
FISCAL YEAR 1989 – DIV. III-FB



EXPENSES CLASSIFIED BY SPORT
FISCAL YEAR 1989 – DIV. III-FB

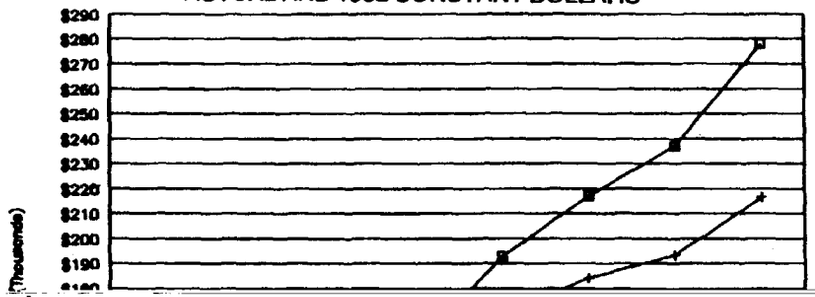


EXPENSES OF WOMEN'S ATHLETICS
FISCAL YEAR 1989 – DIV. III-FB



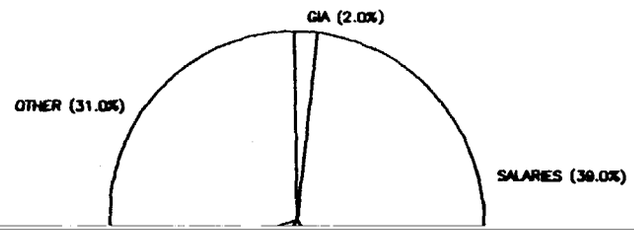
AVERAGE TOTAL EXPENSES – DIV. III-NO FB

ACTUAL AND 1982 CONSTANT DOLLARS



EXPENSES OF MEN'S ATHLETICS

FISCAL YEAR 1989 – DIV. III-NO FB



CHAPTER IV

Revenue and Expense Relationships

Revenue and expense relationships are examined in this chapter by comparing average revenues and expenses and by analyzing net financial results. Net financial results were measured by comparing revenues and expenses of each respondent and classifying the difference as *operating profit* or *deficit*. Operating profit describes an excess of revenues over expenses; deficit refers to an excess of expenses over revenues. The earning of profits is not consistent with the financial objectives of most athletics programs. The term *profit* is used in this study to describe a condition in which revenues exceed expenses.

Operating profits and deficits are analyzed for the total athletics program, for men's and women's athletics programs, and for the major sports of football, men's basketball and women's basketball. The financial objectives and operating policies affecting respondents' athletics programs are summarized to provide a basis for evaluating revenue and expense relationships. A summary of factors explaining general financial trends concludes the report.

Financial Objectives and Policies

The significance of operating profits and deficits for athletics programs depends upon the financial objectives and related policies that govern the operation of these programs. In the 1985 study and again in 1989, sufficiency of revenues was cited as the dominant financial objective of athletics programs. If an athletics program generates significant revenues, then it should be accounted for within the university as an *auxiliary enterprise* that provides services on a fee basis. Fees charged for these services are related directly to the cost of rendering services. An understanding of this environment and related financial objectives is essential to interpreting revenue and expense relationships for athletics programs.

With regard to basic financial objectives, 84 percent of all respondents in the 1989 survey specified revenue-sufficiency objectives that are consistent with the goal of generating revenues to recover program costs. The response summary below indicates the dominance of financial objectives related to revenue sufficiency (Part I, Question 4). The first two objectives (Q-4d and Q-4c) in this listing are related to the goal of revenue sufficiency.

The first-ranked financial objective in all categories except Division I-A is "to earn as much revenue as possible with any deficit in athletics covered by general operating funds of the institution" (Q-4d). For Division I-A, the first-ranked objective is "to earn sufficient revenues to cover expenses of athletics programs" (Q-4c).

A policy matter related to the financial objectives

Financial Objectives of Athletics Programs	I-A	I-AA	I-AAA	II-FB	No II-FB	III-FB	No III-FB
Q-4d) Earn maximum revenues with any deficits financed by institutional resources							
1989 survey	19%	58%	57%	77%	70%	73%	50%
1985 survey	17	51	56	57	81	94	84
Q-4c) Earn sufficient revenues to recover program costs							
1989 survey	70%	42%	38%	18%	15%	3%	8%
1985 survey	65	39	35	32	11	6	15
Q-4a) Earn profits in order to expand the athletics program							
1989 survey	15%	7%	4%	5%	9%	0%	2%
1985 survey	17	9	9	8	4	0	1
Q-4b) Earn profits to support nonathletics activities of the institution							
1989 survey	1%	0%	2%	0%	0%	0%	0%
1985 survey	1	1	0	3	4	0	0

Extent of Reliance Upon Institutional Resources	Rank Order of Indicated Policies						
	Division I			Division II		Division III	
	A	AA	AAA	FB	No	FB	No
Q-3a) To cover any athletics program deficit	4	3	3	3	3	2	3
Q-3b) To pay certain operating expenses	3	1	2	1	1	1	1
Q-3c) To support nonrevenue sports	2	2	1	2	2	3	2
Q-3d) None (self-supporting program)	1	4	4	4	4	4	4

expressed by most respondents concerns the ability of the athletics program to rely upon institutional resources to cover deficits or certain operating expenses. The summary above presents the rank order of policies indicated by respondents as being applicable to their operations (Part I, Question 3).

As ranked by all respondents collectively, the most common practice (64 percent) is Q-3b for certain operating expenses such as salaries and travel to be paid from institutional resources (meaning funds not generated by the athletics program). The second most frequently cited policy is Q-3c, which is use of institutional funds to support nonrevenue-producing sports (60 percent). The third-ranked policy is Q-3a, which is reliance upon institutional resources only if a deficit is incurred by the athletics program (48 percent). The least frequently cited policy is Q-3d, which is operating on a self-supporting basis within the limits of revenues generated by the athletics program (19 percent of all respondents collectively).

In contrast with other respondents, 58 percent of Division I-A indicated Q-3d, the self-supporting basis as an applicable policy. For most athletics programs, reliance upon operating funds of the institution is essential. In respondent categories other

TABLE 4.1
COMPARATIVE AVERAGES FOR TOTAL REVENUES AND EXPENSES*

Fiscal Years 1982-1989
(Dollar Amounts in Thousands)

Average Operating Results by NCAA Division	1982	1983	1984	1985	1986	1987	1988	1989
Division I-A								
Total revenues	$4,916	$5,924	$6,496	$6,833	$7,600	$8,351	$8,785	$9,685
Total expenses	5,054	5,728	6,256	6,894	7,441	8,093	8,724	9,646
Implied profit (deficit) (a)	(138)	196	240	(61)	159	258	61	39
Division I-AA								
Total revenues	$1,170	$1,335	$1,423	$1,616	$1,834	$1,949	$2,096	$2,409
Total expenses	1,716	1,925	2,008	2,321	2,539	2,709	2,886	3,191
Implied deficit	546	590	585	705	705	760	790	782
Division I-AAA								
Total revenues	$ 402	$ 462	$ 477	$ 609	$ 901	$ 941	$1,074	$1,197
Total expenses	721	790	834	1,072	1,486	1,590	1,765	1,911
Implied deficit	319	328	357	463	585	649	691	714
II With Football								
Total revenues	$ 306	$ 340	$ 384	$ 469	$ 543	$ 581	$ 613	$ 714
Total expenses	580	638	712	875	869	929	1,001	1,161
Implied deficit	274	298	328	406	326	348	388	447
II-No Football								
Total revenues	$ 210	$ 237	$ 268	$ 349	$ 316	$ 307	$ 396	$ 429
Total expenses	353	405	443	547	552	594	640	797
Implied deficit	143	168	175	198	236	287	244	368
III With Football								
Total revenues	$ 35	$ 43	$ 45	$ 70	$ 80	$ 86	$ 98	$ 118
Total expenses	257	291	331	397	409	437	481	518
Implied deficit	222	248	286	327	329	351	383	400
III-No Football								
Total revenues	$ 42	$ 46	$ 51	$ 97	$ 46	$ 56	$ 77	$ 133
Total expenses	101	110	124	157	193	217	237	278
Implied deficit	59	64	73	60	147	161	160	145

*Unless indicated otherwise, all information reported in this study involves men's and women's athletics programs on a combined basis.
(a) Deficit is used to describe an excess of expenses over revenues.
Profit is used to describe an excess of revenues over expenses.

than Division I-A, most institutions reported operating expenses in excess of revenues for the athletics program.

In general, the revenue and expense relationships presented in this chapter are consistent with the prevalent financial objectives and related policies of athletics programs.

Analysis of Revenues and Expenses

A comparative analysis of revenues and expenses reveals the basic financial characteristics of an athletics program. In the following sections, average revenues and expenses are compared to approximate the average net resource requirements of each respondent group. Actual operating profits and deficits of respondents in each category then are analyzed.

Total Revenues and Expenses

Total revenues and expenses are analyzed comparatively in the following exhibits:

- Table 4.1—Comparative Averages for Total Revenues and Expenses,
- Table 4.2—Total Operating Profits and Deficits,
- Table 4.3—Frequency Distributions for Total Operating Deficits,
- Table 4.4—Total Operating Profits and Deficits Classified by Program,
- Table 4.5—Frequency Distributions for Men's Operating Profits,
- Table 4.6—Frequency Distributions for Men's Operating Deficits, and
- Table 4.7—Frequency Distributions for Women's Operating Deficits.

As indicated in Table 4.1, average total expenses exceeded average total revenues of each respondent group during the period 1982-1989, with the exception of Division I-A. Differences between average revenues and expenses in Table 4.1 are described as implied deficits or profits and were computed only for purposes of summarizing the comparative differences between revenues and expenses of each category. For the eight-year period 1982-1989, the *implied* deficits of applicable respondent groups increased significantly. The general trend indicates

TABLE 4.2
TOTAL OPERATING PROFITS AND DEFICITS
Fiscal Years 1985 and 1989
(Dollar Amounts in Thousands)

Operating Profits and Deficits by NCAA Division	Revenues Exceed Expenses		Expenses Exceed Revenues		Number With Balanced Budget	Percent Reporting Deficits
	Number of Respondents	Average Profit	Number of Respondents	Average Deficit		
Division I-A						
Fiscal year 1989	48	$1,046	35	$1,337	4	40%
Fiscal year 1985	37	1,175	50	977	2	56
Fiscal year 1981	27	656	36	540	2	55
Division I-AA						
Fiscal year 1989	18	199	28	1,636	8	52
Fiscal year 1985	5	139	45	831	2	87
Fiscal year 1981	3	194	28	456	0	90
Division I-AAA						
Fiscal year 1989	15	166	40	1,061	1	71
Fiscal year 1985	5	122	29	565	0	85
Fiscal year 1981	5	158	14	312	1	70
II With Football						
Fiscal year 1989	9	42	39	685	11	66
Fiscal year 1985	2	50	32	459	2	89
Fiscal year 1981	7	58	28	225	4	72
II-No Football						
Fiscal year 1989	6	29	22	560	5	67
Fiscal year 1985	4	25	21	256	0	84
Fiscal year 1981	5	8	18	202	3	69
III With Football						
Fiscal year 1989	4	131	80	470	6	89
Fiscal year 1985	1	9	86	343	1	98
Fiscal year 1981	2	38	59	230	2	94
III-No Football						
Fiscal year 1989	5	24	43	231	6	80
Fiscal year 1985	5	87	56	109	2	89
Fiscal year 1981	1	2	17	106	6	71

that revenue growth was not sufficient to match the increase in total operating expenses for many respondents.

Actual operating profits and deficits based on total revenues and expenses of each respondent are summarized in Table 4.2 for fiscal years 1981, 1985 described further by the frequency distributions in Table 4.3. These distributions indicate the complete range of deficits reported by all respondents with total expenses exceeding total revenues.

Operating profits and deficits for men's and women's athletics programs are summarized in Table

nues equal to or greater than total expenses of their men's athletics programs. Accordingly, many Division I-A institutions are able to operate their men's athletics program on a self-supporting basis.

As shown in Table 4.4, the vast majority of women's athletics programs operated on a deficit basis in 1989. As defined in 1989, revenues and full cost information for women's athletics in 1985 were not available for comparative analysis.

Details of operating profits and deficits for men's and women's athletics in 1989 are summarized by frequency distributions in Tables 4.5, 4.6 and 4.7.

Football Revenues and Expenses

Trends in football revenues and expenses were summarized in Tables 2.12 and 3.12, respectively. Actual football profits and deficits were determined by comparing football revenues and football expenses of each respondent. Football revenues include amounts derived from all activities directly related to football. Football expenses include amounts directly related to football without any allocation of general overhead costs.

Actual football profits and deficits in 1981, 1985 and 1989 are analyzed in Table 4.8. In all groups, the percentage of respondents with football deficits increased between 1981 and 1989. The largest operating profits and deficits in football are shown by the following tabulations, with dollar amounts in thousands.

	Largest Amounts Reported (1989)	
Football Profits and Deficits ($000)	Football Profit	Football Deficit
Division I-A	$9,625	$1,713
Division I-AA	435	1,540
Division II	53	720
Division III	27	231

Consistent with the profitability of football for many Division I-A respondents, the average 1989 football profit of $2,771,000 exceeds the average deficit of $638,000, and the largest football deficit of $1,713,000 is less than the average football profit. Because more than 90 percent of all other respon-

TABLE 4.4
TOTAL OPERATING PROFITS AND DEFICITS CLASSIFIED BY PROGRAM

Fiscal Years 1985 and 1989
(Dollar Amounts in Thousands)

Operating Profits and Deficits by NCAA Division	Revenues Exceed Expenses		Expenses Exceed Revenues		Number With Balanced Budget	Percent Reporting Deficits
	Number of Respondents	Average Profit	Number of Respondents	Average Deficit		
Division I-A						
Men's program-1989	69	$1,814	16	$1,376	1	19%
Men's program-1985	54	1,355	31	716	4	35
Women's program-1989	5	85	78	1,354	2	92
Division I-AA						
Men's program-1989	29	581	24	1,331	1	44
Men's program-1985	15	182	28	943	9	54
Women's program-1989	9	105	43	653	1	81
Division I-AAA						
Men's program-1989	22	360	33	726	0	60
Men's program-1985	9	256	23	514	2	68
Women's program-1989	7	81	48	476	0	87
II With Football						
Men's program-1989	17	106	38	541	3	66
Men's program-1985	5	111	27	421	4	75
Women's program-1989	5	32	48	209	5	83
II-No Football						
Men's program-1989	9	145	21	361	1	68
Men's program-1985	6	19	14	259	4	58
Women's program-1989	2	10	28	219	2	88
III With Football						
Men's program-1989	7	97	80	322	0	92
Men's program-1985	5	7	72	309	1	92
Women's program-1989	0	0	85	152	0	100
III-No Football						
Men's program-1989	6	62	37	158	0	86
Men's program-1985	7	76	30	116	7	68
Women's program-1989	2	8	46	120	1	94

Respondent Category	Percentage of Men's Total Revenues and Expenses Related to Football				Resource Allocation Index	
	Revenues		Expenses			
	1985	1989	1985	1989	1985	1989
Division I-A	55%	47%	39%	39%	1.41	1.21
Division I-AA	33	22	38	39	.87	.56
Division II	22	18	34	39	.65	.46
Division III	14	11	18	21	.78	.52

dent groups reported football deficits in 1989, the average football profits for respondents other than Division I-A are relatively insignificant. The frequency distribution for Division I-A football profits in 1989 is presented in Table 4.10. Frequency distributions for 1989 football deficits are summarized in Table 4.11.

As a summary of the revenue and expense relationships for intercollegiate football, the tabulation above compares the percentage of men's total revenues provided by football with the percentage of men's total expenses related to football in fiscal years 1985 and 1989.

As a general trend, the percentage of men's total revenues provided by football decreased; the percentage of men's total expenses directly related to football increased between 1985 and 1989 for all respondents except Division I-A.

The resource allocation index measures the proportionate relationship between share of men's total revenues provided by football and share of men's total expenses directly related to football. For example, the 1989 resource allocation index for Division I-A football is 1.21, which is the 47 percent revenue share divided by the 39 percent expense share. An index of 1.0 or greater indicates that foot-

TABLE 4.5
FREQUENCY DISTRIBUTIONS FOR MEN'S OPERATING PROFITS*

Fiscal Year 1989
(Dollar Amounts in Thousands)

Division I-A			Division I-AA			Division I-AAA		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 400	17	$ 0	$ 100	4	$ 0	$ 75	6
400	800	11	100	200	7	75	150	2
800	1,200	9	200	300	3	150	225	2
1,200	1,600	4	300	400	0	225	300	1
1,600	2,000	4(M)	400	500	3	300	375	2(M)
2,000	2,400	5	500	600	2(M)	375	450	2
2,400	2,800	2	600	700	3	450	525	1
2,800	3,200	0	700	800	1	525	600	1
3,200	3,600	3	800	900	1	600	675	1
3,600		14	900		5	675		4
		69			29			22

II With Football			II-No Football			III With Football			III-No Football		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 20	7	$ 0	$ 30	3	$ 0	$ 20	2	$ 0	$ 15	3
20	40	1	30	60	1	20	40	0	15	30	0
40	60	1	60	90	1	40	60	0	30	45	0
60	80	2	90	120	1	60	80	1	45	60	0
80	100	0	120	150	1(M)	80	100	0(M)	60	75	0(M)
100	120	0(M)	150	180	0	100	120	1	75	90	0
120	140	1	180	210	1	120	140	1	90	105	0
140	160	1	210	240	0	140	160	0	105	120	2

ball provided a greater percentage of total revenues than it required as a percentage of total expenses. An index of less than 1.0 indicates that football utilized a disproportionate share of total funds. Between 1985 and 1989, average total revenues and expenses of men's athletics increased significantly. For all respondent groups, the resource allocation index for football decreased between 1985 and 1989. With the exception of Division I-A, football continued to utilize a disproportionate share of total funds, as indicated by resource allocation indices less than 1.0 in 1989.

Basketball Revenues and Expenses

Trends in men's basketball revenues and expenses were summarized in Tables 2.14 and 3.14, respectively. Actual men's basketball profits and deficits were determined by comparing basketball revenues and basketball expenses of each respondent. Men's basketball revenues include amounts derived from all activities directly related to this sport. Men's basketball expenses include amounts directly related to basketball without any allocation of general overhead costs.

Actual men's basketball profits and deficits in 1981, 1985 and 1989 are analyzed in Table 4.9. For all Divisions I and II respondent groups, average basketball profits and losses increased significantly between 1981 and 1989. In Division I-A, 34 percent of respondents reported basketball deficits in 1989. The largest operating profits and deficits in men's basketball during 1989 are shown by the following schedule, with dollar amounts in thousands.

	Largest Amounts Reported (1989)	
Basketball Profits and Deficits ($000)	Basketball Profit	Basketball Deficit
Division I-A	$4,652	$606
Division I-AA	1,695	525
Division I-AAA	2,257	475
Division II-FB	118	199
Division II-No FB	28	208
Division III-FB	35	117
Division III-No FB	1	73

The relative profitability of men's basketball for many Division I-A respondents is indicated by the

TABLE 4.6
FREQUENCY DISTRIBUTIONS FOR MEN'S OPERATING DEFICITS*

Fiscal Year 1989
(Dollar Amounts in Thousands)

Division I-A			Division I-AA			Division I-AAA		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 300	3	$ 0	$ 300	4	$ 0	$ 150	3
300	600	2	300	600	6	150	300	5
600	900	2	600	900	1	300	450	4
900	1,200	1	900	1,200	2	450	600	4
1,200	1,500	2(M)	1,200	1,500	3(M)	600	750	4(M)
1,500	1,800	0	1,500	1,800	2	750	900	1
1,800	2,100	1	1,800	2,100	0	900	1,050	2
2,100	2,400	2	2,100	2,400	0	1,050	1,200	6
2,400	2,700	0	2,400	2,700	2	1,200	1,350	2
2,700		3	2,700		4	1,350		2
		16			24			33

II With Football			II-No Football			III With Football			III-No Football		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 100	7	$ 0	$ 75	1	$ 0	$ 60	1	$ 0	$ 30	3
100	200	3	75	150	2	60	120	14	30	60	4
200	300	3	150	225	1	120	180	8	60	90	5
300	400	1	225	300	5	180	240	11	90	120	6
400	500	2	300	375	5(M)	240	300	10	120	150	6
500	600	2(M)	375	450	0	300	360	13(M)	150	180	2(M)
600	700	6	450	525	2	360	420	7	180	210	1
700	800	3	525	600	2	420	480	2	210	240	1
800	900	5	600	675	1	480	540	2	240	270	3
900		6	675		2	540		12	270		6
		38			21			80			37

* Operating deficit is defined as the excess of total expenses over total revenues.
(M) Indicates interval corresponding with average men's operating deficit for 1989.

average 1989 profit of $1,167,000, which exceeds the $238,000 average deficit and the largest reported deficit of $606,000.

Frequency distributions for men's basketball profits in Division I-A are presented in Table 4.10. Frequency distributions for men's basketball deficits in 1989 are summarized in Table 4.12.

As a summary of the revenue and expense relationships for basketball, the following tabulation compares the percentage of men's total revenues provided by basketball with the percentage of men's total expenses related to basketball in 1985 and 1989.

The resource allocation index measures the proportionate relationship between share of men's total revenues provided by basketball and share of men's total expenses related to basketball. For example, the 1989 resource allocation index for Division I-AAA is 1.18, which is the 45 percent share of men's revenues divided by the 38 percent share of men's total expenses. An index of 1.0 or greater indicates that basketball provided a greater

	Percentage of Men's Total Revenues and Expenses Related to Basketball					
	Revenues		Expenses		Resource Allocation Index	
Respondent Category	1985	1989	1985	1989	1985	1989
Division I-A	15%	18%	10%	12%	1.50	1.50
Division I-AA	16	16	13	17	1.23	.94
Division I-AAA	51	45	36	38	1.42	1.18
Division II-FB	15	9	16	14	.94	.64
Division II-No FB	22	14	32	26	.69	.54
Division III-FB	39	11	16	10	2.44	1.10
Division III-No FB	26	3	18	14	1.44	.21

TABLE 4.7
FREQUENCY DISTRIBUTIONS FOR WOMEN'S OPERATING DEFICITS*

Fiscal Year 1989
(Dollar Amounts in Thousands)

Division I-A			Division I-AA			Division I-AAA		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 300	10	$ 0	$ 150	5	$ 0	$ 100	7
300	600	13	150	300	8	100	200	6
600	900	10	300	450	6	200	300	3
900	1,200	7	450	600	4	300	400	7
1,200	1,500	13(M)	600	750	10(M)	400	500	2(M)
1,500	1,800	9	750	900	3	500	600	8
1,800	2,100	1	900	1,050	1	600	700	4
2,100	2,400	0	1,050	1,200	0	700	800	4
2,400	2,700	4	1,200	1,350	0	800	900	2
2,700		11	1,350		6	900		5
		78			43			48

II With Football			II-No Football			III With Football			III-No Football		
More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number	More Than	Less Than	Number
$ 0	$ 50	8	$ 0	$ 50	3	$ 0	$ 30	7	$ 0	$ 30	4
50	100	4	50	100	3	30	60	13	30	60	6
100	150	7	100	150	4	60	90	11	60	90	14
150	200	6	150	200	4	90	120	8	90	120	4
200	250	4(M)	200	250	5(M)	120	150	10	120	150	8(M)
250	300	8	250	300	1	150	180	15(M)	150	180	2
300	350	4	300	350	3	180	210	7	180	210	0
350	400	1	350	400	1	210	240	2	210	240	4
400	450	1	400	450	3	240	270	2	240	270	1
450		5	450		1	270		10	270		3
		48			28			85			46

* Operating deficit is defined as the excess of total expenses over total revenues.
(M) Indicates interval corresponding with average women's operating deficit for 1989.

TABLE 4.8
OPERATING PROFITS AND DEFICITS IN FOOTBALL

Fiscal Years 1981-1989
(Dollar Amounts in Thousands)

Average Results for Football by NCAA Division	Revenues Exceed Expenses		Expenses Exceed Revenues		Percent Reporting Deficits
	Number of Respondents	Average Profit	Number of Respondents	Average Deficit	
Division I-A					
Fiscal year 1989	47	$2,771	39	$638	45%
Fiscal year 1985	60	2,196	27	449	31
Fiscal year 1981	47	1,342	15	251	24
Division I-AA					
Fiscal year 1989	3	166	51	535	94
Fiscal year 1985	12	255	38	416	76
Fiscal year 1981	9	85	21	226	70
II With Football					
Fiscal year 1989	2	37	56	247	97
Fiscal year 1985	3	49	32	176	91
Fiscal year 1981	6	36	34	83	85
III With Football					
Fiscal year 1989	1	27	86	69	99
Fiscal year 1985	4	2	79	56	95
Fiscal year 1981	2	7	60	37	97

TABLE 4.9
OPERATING PROFITS AND DEFICITS IN MEN'S BASKETBALL

Fiscal Years 1981-1989
(Dollar Amounts in Thousands)

Average Results for Basketball by NCAA Division	Revenues Exceed Expenses		Expenses Exceed Revenues		Percent Reporting Deficits
	Number of Respondents	Average Profit	Number of Respondents	Average Deficit	
Division I-A					
Fiscal year 1989	55	$1,167	28	$238	34%
Fiscal year 1985	51	743	37	153	42
Fiscal year 1981	35	387	26	88	43
Division I-AA					
Fiscal year 1989	14	321	40	199	74
Fiscal year 1985	16	212	34	137	68
Fiscal year 1981	9	106	18	67	67
Division I-AAA					
Fiscal year 1989	14	511	41	223	75
Fiscal year 1985	9	347	22	149	71
Fiscal year 1981	8	214	12	146	60
II With Football					
Fiscal year 1989	6	39	50	93	89
Fiscal year 1985	5	19	29	67	85
Fiscal year 1981	6	12	34	38	85
II-No Football					
Fiscal year 1989	3	23	27	105	90
Fiscal year 1985	2	14	21	81	91
Fiscal year 1981	2	18	26	60	93
III With Football					
Fiscal year 1989	3	29	82	32	96
Fiscal year 1985	6	92	77	44	93
Fiscal year 1981	3	2	58	32	95
III-No Football					
Fiscal year 1989	1	1	41	24	98
Fiscal year 1985	7	54	37	20	84
Fiscal year 1981	0	0	15	18	100

percentage of total revenues than it required as a percentage of total expenses. An index of less than 1.0 indicates that basketball utilized a disproportionate share of total funds. Except for Division I-A, the resource allocation index of all respondent groups decreased between 1985 and 1989, which indicates the relative impact of increases in men's basketball expenses.

Factors Explaining Expense Trends

An objective of this report is to identify factors, conditions or developments that explain the general trends in revenues and expenses. The impact of inflation on revenue and expense trends was explained in Chapters II and III. The general causes of increases in total operating expenses include: (1) uncontrollable inflationary effects; (2) expansion of the athletics program by adding more sports, hiring more personnel and allowing more athletes to participate, and (3) increases in cost of equipment, travel and other services that exceeded changes in the general price level. These causes of increased expenses are quantitatively evaluated for each respondent group.

Analysis of Significant Factors

Respondents were asked to evaluate the relevance of several factors as potential explanations of increased operating expenses at their institutions. Specifically, they were to indicate each factor that was considered to be significantly responsible for increased annual operating expenses between 1985 and 1989. The following factors were evaluated (Part I, Question 8):

a) Increased squad size in one or more men's

TABLE 4.10
FREQUENCY DISTRIBUTIONS FOR FOOTBALL AND MEN'S BASKETBALL OPERATING PROFITS*
Fiscal Year 1989
(Dollar Amounts in Thousands)

Football Division I-A

More Than	Less Than	Number
$ 0	$ 500	5
500	1,000	6
1,000	1,500	7
1,500	2,000	5
2,000	2,500	2
2,500	3,000	6(M)
3,000	3,500	5
3,500	4,000	0
4,000	4,500	1
4,500		10
		47

Basketball Division I-A

More Than	Less Than	Number
$ 0	$ 250	12
250	500	9
500	750	4
750	1,000	4
1,000	1,250	6(M)
1,250	1,500	3
1,500	1,750	3
1,750	2,000	5
2,000	2,250	2
2,250		7
		55

Basketball Division I-AA

More Than	Less Than	Number
$ 0	$ 75	4
75	150	3
150	225	2
225	300	1
300	375	1(M)
375	450	1
450	525	0
525	600	0
600	675	0
675		2
		14

Basketball Division I-AAA

More Than	Less Than	Number
$ 0	$ 125	7
125	250	1
250	375	1
375	500	0
500	625	1(M)
625	750	0
750	875	0
875	1,000	1
1,000	1,125	0
1,125		3
		14

* Operating profit is defined as the excess of total revenues over total expenses.
(M) Indicates interval corresponding with average operating profit for 1989.

sports,
b) Program expansion into men's sports not offered previously,
c) Increased number of coaching personnel for men's sports,
d) Increased number of grants-in-aid awarded in men's sports,
e) Increased recruiting costs in men's sports,
f) Increased annual cost of a full grant-in-aid,
g) Increased base salaries for athletics department personnel,
h) Increased commercial air fares for team travel,
i) Expansion of plant facilities used in athletics program,
j) Program expansion into women's sports not offered previously,
k) Increased number of coaching personnel for women's sports, and
l) Increased number of grants-in-aid awarded in women's sports.

The tabulation at right indicates the rank-order sequence of those factors identified by 50 percent or more of the respondents in each class. Rank order was determined by the specific factors that were identified by the largest percentage of responding institutions. Thus, if item (f) was indicated by 100 percent of the Division I-AA respondents, then item (f) would be ranked first by a (1) in the Division I-AA column across from item (f). If an item was indicated by less than 50 percent of the respondents, this condition is noted by (x) in the rank column.

The tabulation shows that less than 50 percent of Division I-A respondents attributed any significance to factors (a), (b), (c), (d) and (j). Of the factors indicated by more than 50 percent of Division I-A respondents, item (f) was designated most often, followed by the remaining items as shown by sequence numbers 2 through 7 in the Division I-A column. Results for each respondent group can be read and evaluated in a similar manner.

TABLE 4.11
FREQUENCY DISTRIBUTIONS FOR FOOTBALL OPERATING DEFICITS*

Fiscal Year 1989
(Dollar Amounts in Thousands)

Division I-A

More Than	Less Than	Number
$ 0	$ 150	5
150	300	6
300	450	2
450	600	7
600	750	2(M)
750	900	9
900	1,050	4
1,050	1,200	0
1,200	1,350	1
1,350		3
		39

Division I-AA

More Than	Less Than	Number
$ 0	$ 100	4
100	200	5
200	300	0
300	400	8
400	500	13
500	600	7(M)
600	700	3
700	800	4
800	900	1
900		6
		51

II With Football

More Than	Less Than	Number
$ 0	$ 50	8
50	100	5
100	150	8
150	200	7
200	250	3(M)
250	300	4
300	350	3
350	400	6
400	450	5
450		7
		56

III With Football

More Than	Less Than	Number
$ 0	$ 15	4
15	30	15
30	45	7
45	60	20
60	75	8(M)
75	90	11
90	105	7
105	120	3
120	135	2
135		9
		86

* Operating deficit is defined as the excess of total expenses over total revenues.
(M) Indicates interval corresponding with average operating deficit for 1989.

Causes of Increased Expenses	Rank Order of Factors by Respondent Group						
	Division I			Division II		Division III	
Related to Men's Sports:	A	AA	AAA	FB	No	FB	No
a) increased squad size	x	x	x	x	x	x	x
b) addition of new sports	x	x	x	x	x	x	x
c) more coaching personnel	x	x	x	x	x	4	x
d) more grants-in-aid	x	x	6	x	6	x	x
e) increased recruiting costs	3	3	5	5	x	x	x
Men's and Women's Sports:							
f) higher cost of annual grant	1	1	2	1	1	x	x
g) increased salaries of personnel	2	2	3	2	2	1	1
h) increased air fares	4	x	7	x	x	x	x
i) expanded plant facilities	6	x	x	x	x	x	x
Related to Women's Sports:							
j) addition of new sports	x	x	x	x	5	3	3
k) more coaching personnel	5	5	4	4	4	2	2
l) more grants-in-aid	7	4	1	3	3	x	x

By constructing a rank-value index for each causal factor, it is possible to generalize about the combined frequency and rank order of the most important causes of increased annual operating expenses. All respondents were included in this analysis, and the five most significant causes of increased operating expenses between 1985 and 1989 were determined to be:

1. Increased salaries of personnel (item g),
2. More coaching personnel for women's sports (item k),
3. Higher cost of an annual grant-in-aid (item

TABLE 4.12

Opinion Concerning Effect of Increased Expenses	Percentage of Respondents Expressing Opinion						
	I-A	I-AA	I-AAA	II-FB	No II-FB	III-FB	No III-FB
Q-9a) Serious methods are needed to control expenses							
1989 survey	88%	82%	70%	53%	55%	24%	13%
1985 survey	92	88	77	57	46	49	31
Q-9b) Not of major concern because revenues also have increased							
1989 survey	5%	11%	7%	3%	0%	4%	0%
1985 survey	3	9	0	0	4	0	4
Q-9c) Not serious because revenues are not intended to cover all operating expenses							
1989 survey	5%	7%	21%	33%	27%	41%	34%
1985 survey	3	2	20	27	29	34	35
Q-9d) Not serious and is explained by general inflationary trends alone							
1989 survey	2%	0%	5%	8%	15%	32%	47%
1985 survey	2	1	3	16	21	17	30

TABLE 4.13
GENERAL FORMAT FOR ANALYSIS OF INCREASING EXPENSES
From Fiscal Year 1985 to Fiscal Year 1989

Analysis of Division I-A Expenses	Fiscal Years		
Division I-A Respondents	1985	1989	Increase
Average total expenses	$6,894,000	$9,646,000	$2,752,000
Average number of athletes	434	468	34
Operating expenses per athlete	$15,885	$20,611	$4,726
Average consumer price index	100%	115%	15%

The increase in average total expenses of $2,752,000 is divided into three categories as follows:

(1)	Effect of more athletes:		
	Increase in number of athletes	34	
	Expenses per athlete in 1985	x $15,885	$540,000
(2)	Effects of inflation:		
	Average expenses in 1985	$6,894,000	
	Expected normal increase (1985...1989)	x .15	1,034,000
(3)	Other price changes:		
	Increase in expenses per athlete	$4,726	
	Number of athletes in 1989	x 468	
	Effect of higher per-capita expenses	2,212,000	
	Less: effect of inflation per above	(1,034,000)	
	Inflation-adjusted price effects		1,178,000
	Increase in average total expenses		$2,752,000

The measurement techniques produce three effects that explain the increase in average total expenses between 1985 and 1989:

Summary of Division I-A Expense Increase	Amount	Percentage of Total Change
(1) Effect of more athletes, more activity and general program expansion	$540,000	20%
(2) Effect of inflation and uncontrollable price increases related to maintaining existing programs	1,034,000	37%
(3) Effect of more goods and services per athlete, general quality improvements and effects of price changes that exceed general inflationary trends	1,178,000	43%
Increase in average total expenses	$2,752,000	100%
Four-year increase in average expenses	+40%	

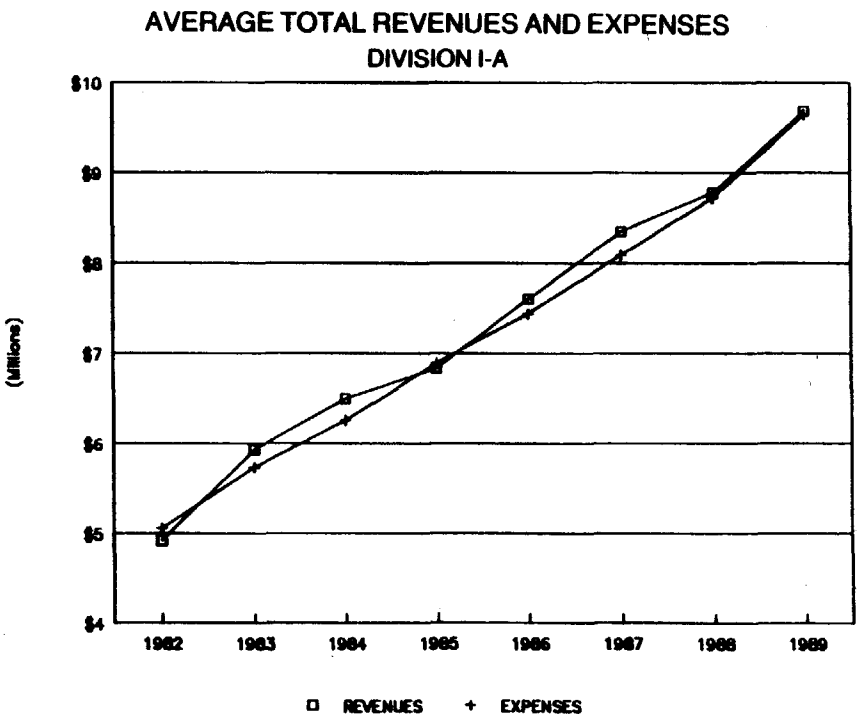
f),
4. More grants-in-aid in women's sports (item l), and
5. Increased recruiting costs in men's sports (item e).

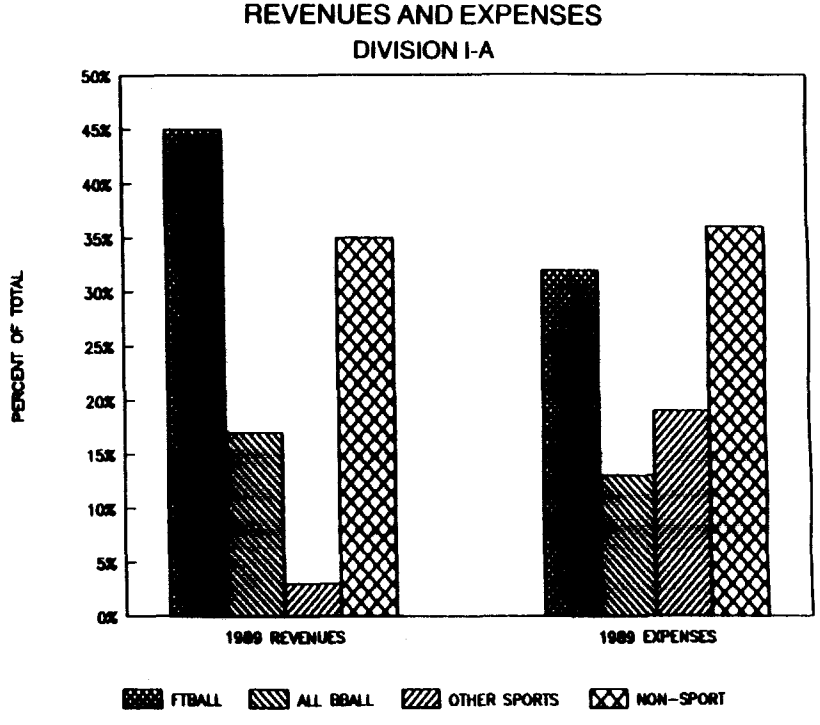
In addition to evaluating specific factors causing increased operating expenses, respondents selected one statement that best described their opinion letics are not intended to cover all operating expenses." These changes are consistent with the diminished effects of inflation between 1985 and 1989. These changes also are consistent with the fact that numerous policies have been adopted in recent years to control or reduce the operating expenses of athletics programs.

less activity and general program contraction;

2. Expense increase attributed to inflationary amount of the increase in total expenses for all respondents, ranging from 19 percent for Division I-AAA to 50 percent for Division III With Football.

TABLE 4.15
GENERAL FINANCIAL SUMMARY
DIVISION I-A RESPONDENTS
(Based on 82% of Division Members)





ORGANIZATION

PRIMARY CAUSES OF INCREASED EXPENSES

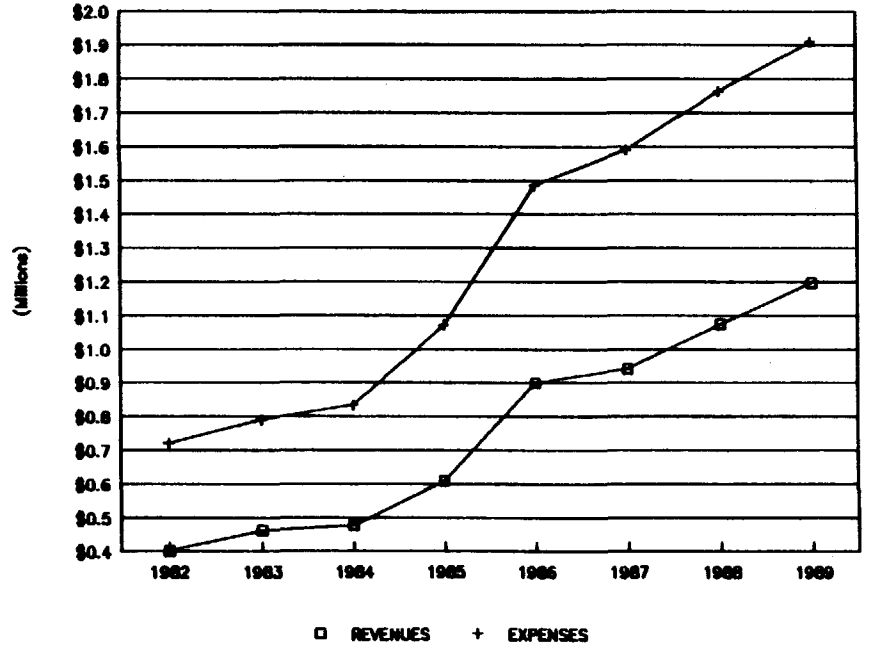
TABLE 4.16
GENERAL FINANCIAL SUMMARY
DIVISION I-AA RESPONDENTS
(Based on 62% of Division Members)

AVERAGE TOTAL REVENUES AND EXPENSES
DIVISION I-AA

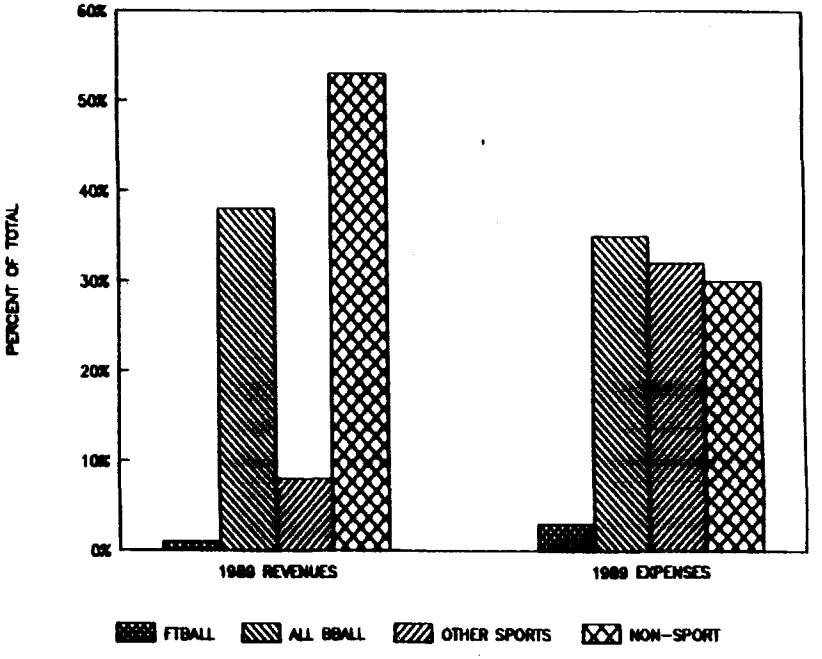
REVENUES AND EXPENSES
DIVISION I-AA

TABLE 4.17
GENERAL FINANCIAL SUMMARY
DIVISION I-AAA RESPONDENTS
(Based on 57% of Division Members)

AVERAGE TOTAL REVENUES AND EXPENSES
DIVISION I-AAA



REVENUES AND EXPENSES
DIVISION I-AAA



ORGANIZATION AND ACTIVITY MEASURES

Average Number of	1989	1985
Intercollegiate Sports	17	15
Participating Athletes	239	233
Coaching Personnel	12	xx
Other FTE Staff	11	xx

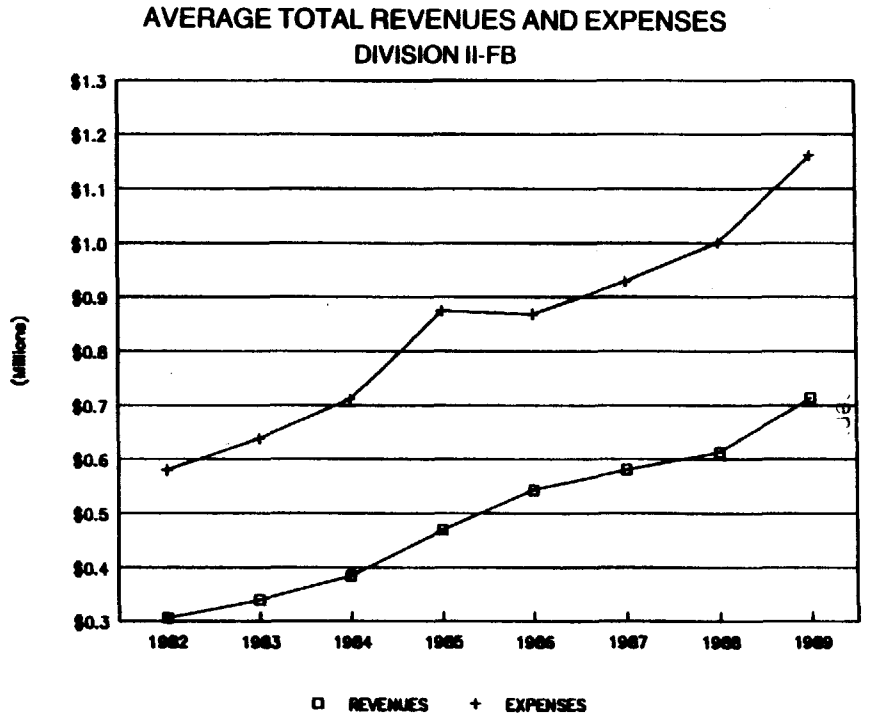
INSTITUTIONS REPORTING DEFICITS

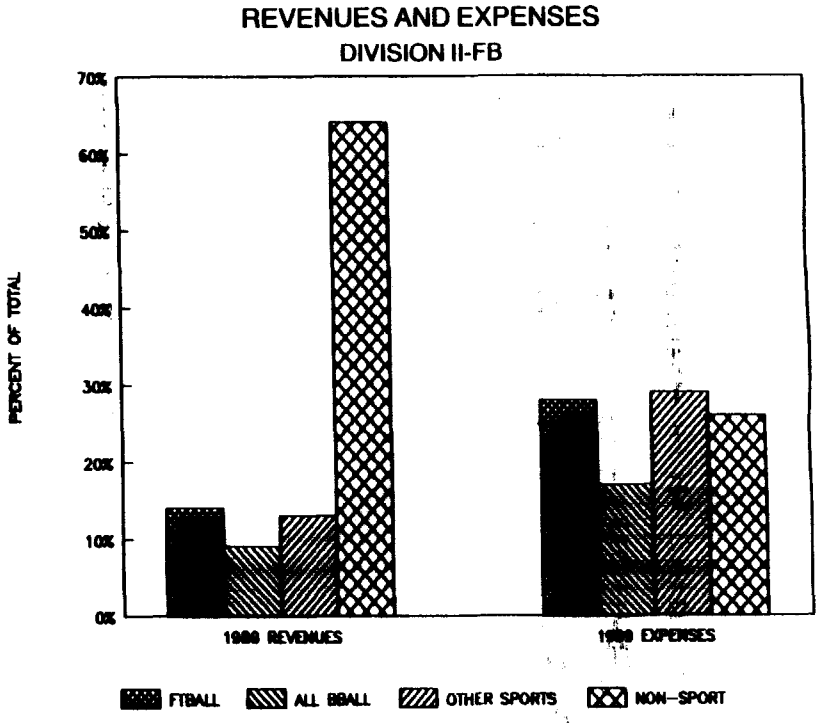
Financial Area	1989	1985
Total Program	71%	85%
Men's Athletics	60	68
Men's Basketball	75	71

PRIMARY CAUSES OF INCREASED EXPENSES
Between 1985 and 1989
Based on Ranked Opinions of Respondents

1) More grants-in-aid: women's sports
2) Higher cost of annual grant-in-aid
3) Increased salaries of personnel
4) More coaches: women's sports

TABLE 4.18
GENERAL FINANCIAL SUMMARY
DIVISION II-FB RESPONDENTS
(Based on 52% of Division Members)





ORGANIZATION AND ACTIVITY MEASURES

Average Number of	1989	1985
Intercollegiate Sports	14	17
Participating Athletes	333	394
Coaching Personnel	12	xx
Other FTE Staff	6	xx

INSTITUTIONS REPORTING DEFICITS

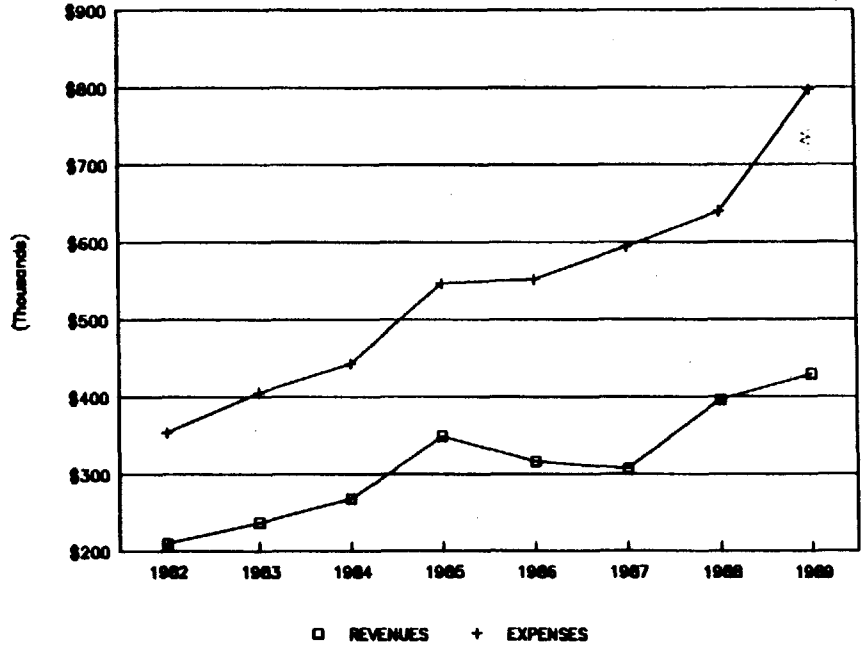
Financial Area	1989	1985
Total Program	67%	89%
Men's Athletics	75	66
Football	97	91
Men's Basketball	89	85

PRIMARY CAUSES OF INCREASED EXPENSES
Between 1985 and 1989
Based on Ranked Opinions of Respondents

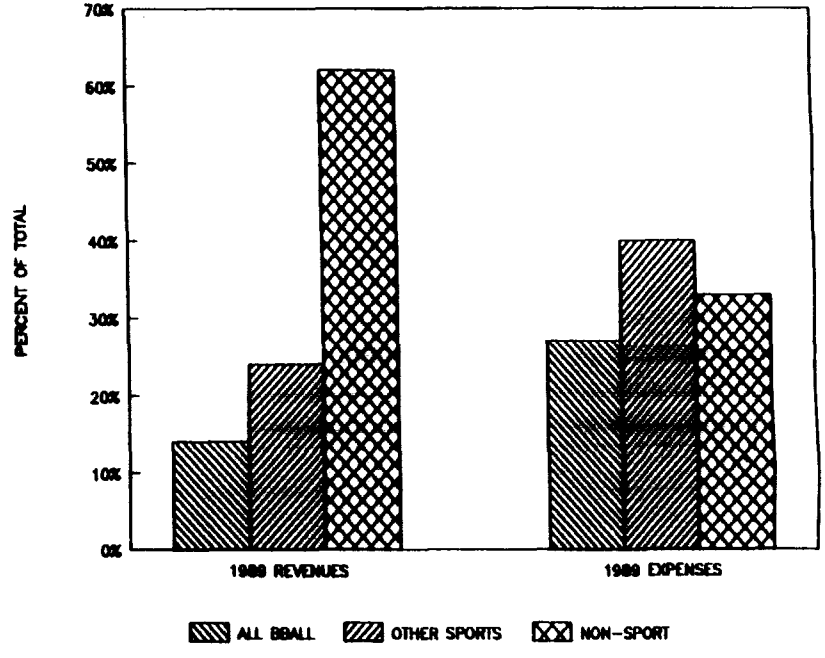
1) Higher cost of annual grant-in-aid
2) Increased salaries of personnel
3) More grants-in-aid: women's sports
4) More coaches: women's sports

TABLE 4.19
GENERAL FINANCIAL SUMMARY
DIVISION II-NO FB RESPONDENTS
(Based on 44% of Division Members)

AVERAGE TOTAL REVENUES AND EXPENSES
DIVISION II-NO FB



REVENUES AND EXPENSES
DIVISION II-NO FB



ORGANIZATION AND ACTIVITY MEASURES

Average Number of	1989	1985
Intercollegiate Sports	11	15
Participating Athletes	174	234
Coaching Personnel	7	xx
Other FTE Staff	5	xx

INSTITUTIONS REPORTING DEFICITS

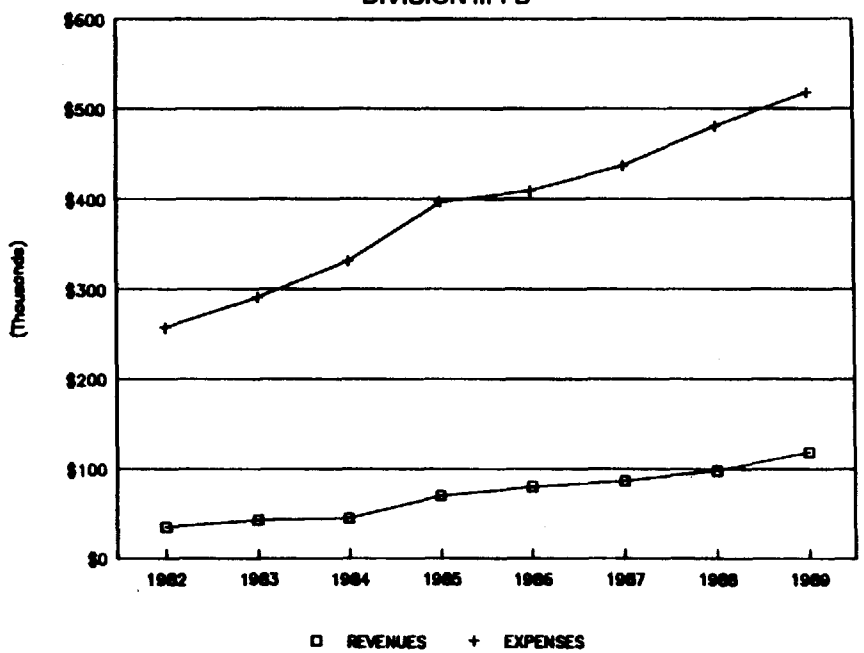
Financial Area	1989	1985
Total Program	67%	84%
Men's Athletics	68	58
Men's Basketball	90	91

PRIMARY CAUSES OF INCREASED EXPENSES
Between 1985 and 1989
Based on Ranked Opinions of Respondents

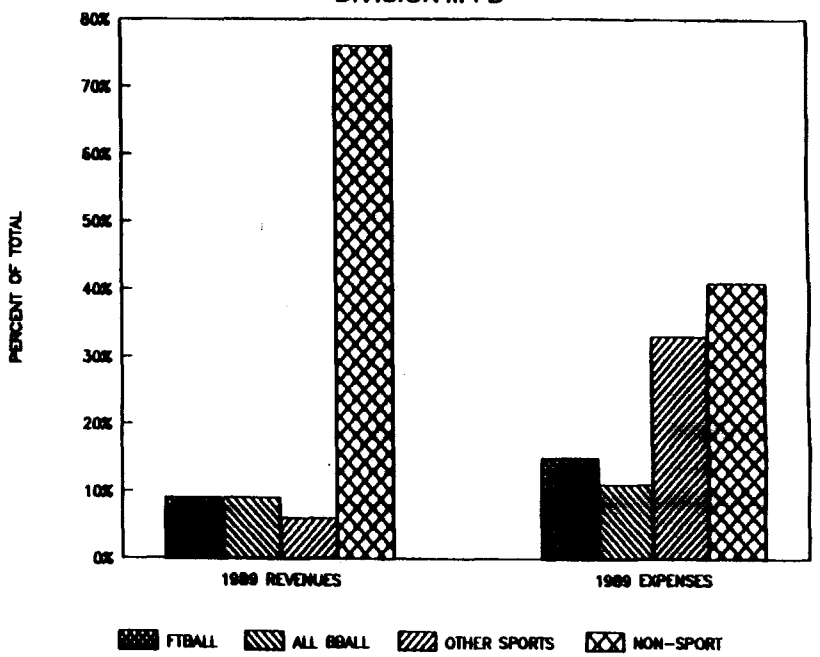
1) Higher cost of annual grant-in-aid
2) Increased salaries of personnel
3) More grants-in-aid: women's sports
4) More coaches: women's sports

TABLE 4.20
GENERAL FINANCIAL SUMMARY
DIVISION III-FB RESPONDENTS
(Based on 47% of Division Members)

AVERAGE TOTAL REVENUES AND EXPENSES
DIVISION III-FB



REVENUES AND EXPENSES
DIVISION III-FB



ORGANIZATION AND ACTIVITY MEASURES

Average Number of	1989	1985
Intercollegiate Sports	18	19
Participating Athletes	387	400
Coaching Personnel	11	xx
Other FTE Staff	5	xx

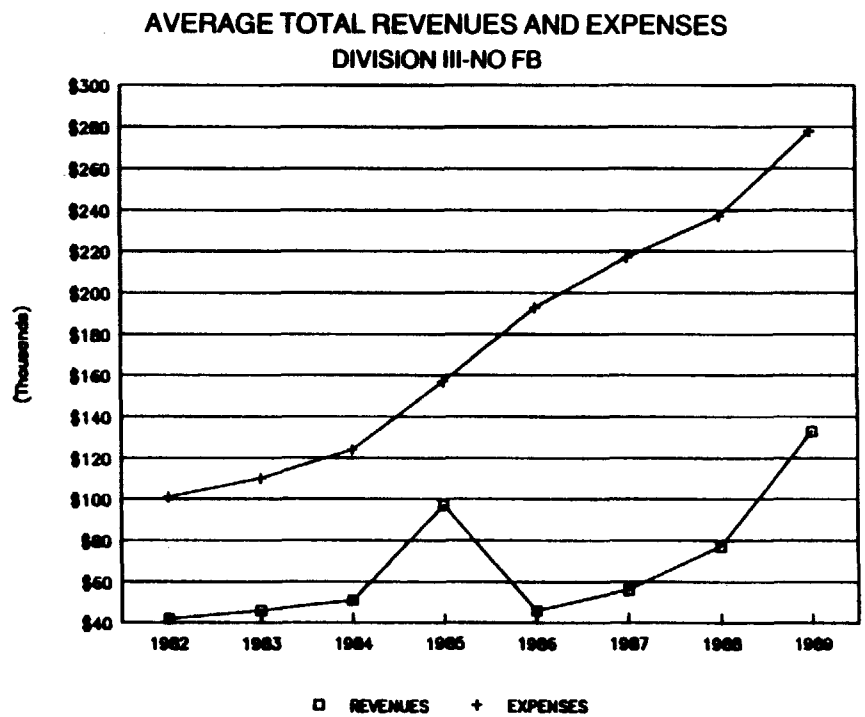
INSTITUTIONS REPORTING DEFICITS

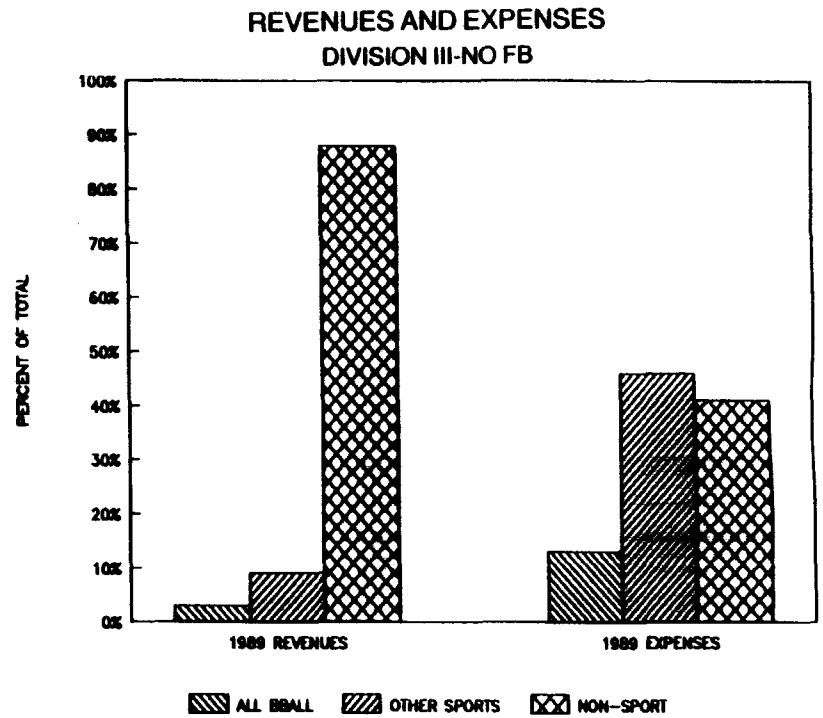
Financial Area	1989	1985
Total Program	89%	98%
Men's Athletics	92	92
Football	99	95
Men's Basketball	96	93

PRIMARY CAUSES OF INCREASED EXPENSES
Between 1985 and 1989
Based on Ranked Opinions of Respondents

1) Increased salaries of personnel
2) More coaches: women's sports
3) Addition of new sports: women's sports
4) More coaches: men's sports

TABLE 4.21
GENERAL FINANCIAL SUMMARY
DIVISION III-NO FB RESPONDENTS
(Based on 60% of Division Members)





ORGANIZATION AND ACTIVITY MEASURES

Average Number of	1989	1985
Intercollegiate Sports	13	14
Participating Athletes	216	233
Coaching Personnel	6	xx
Other FTE Staff	3	xx

INSTITUTIONS REPORTING DEFICITS

Financial Area	1989	1985
Total Program	78%	89%
Men's Athletics	86	68
Men's Basketball	98	84

PRIMARY CAUSES OF INCREASED EXPENSES
Between 1985 and 1989
Based on Ranked Opinions of Respondents

1) Increased salaries of personnel
2) More coaches: women's sports
3) Addition of new sports: women's sports
4) More coaches: men's sports

TABLE 4.22
AVERAGE SOURCES AND USES OF FUNDS FOR AN ATHLETICS PROGRAM

Based on Averages for Fiscal Year 1989
(Dollar Amounts in Thousands)

Annual Amount of Funds Used by an Athletics Program:	I-A	I-AA	I-AAA	Division II		Division III	
				With FB	No FB	With FB	No FB
Operating expenses for men's athletics	$ 7,882	$2,421	$1,296	$ 854	$523	$351	$179
Operating expenses for women's athletics	1,805	785	618	325	296	168	133
Capital expenditures and debt-service cost (a)	684	41	106	12	1	5	65
Total amount of funds used	$10,371	$3,247	$2,020	$1,191	$820	$524	$377

Sources of Annual Funds Used